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(SEAL)
TREASURY DEPARTMENT
BUREAU OF CUSTOMS
Investigative Unit
Treasury Attaché
Care of American Consul

Shanghai, China

October 17, 1936

Commissioner of Customs,
Division of Customs Agents,
Washington, D.C.

Sir:

There are enclosed for the information of the Bureau and other interested Departments copies of a report entitled: "Opium Monopoly in Manchukuo."

Respectfully,

/s/ M. R. Nicholson
Treasury Attaché

MRN.G
Enc.

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Shanghai
October 11, 1936

OPIUM MONOPOLY IN MANCHUKUO

As instructed, I have at present two agents who are traveling around all districts where poppy is planted. I am awaiting their reports at present and shall forward them to you as soon as I get them. . . .

In the meantime I am working personally getting information regarding the structure and "inside" life of the "Kancukuo Opium Monopoly Administration." The following information has been gained so far and may be added to my previous reports:

1. The Manchukuo Opium Monopoly Administration which up-to-date has been an independent institution, recently was absorbed by the Department of Monopolies of the Ministry of Finance. As I reported to you before, this Department is run by Mr. Namba, who holds the rank of Vice-Minister of Finance. The Department of Monopolies also controls monopolies on napte products, tobacco products, matches and the newly organized salt monopoly. Thus all monopolies in Manchukuo are now under joint administration. According to one of my Japanese friends this was done because there has been a lot of talk about the

funds received by the Manchukuo Government being a profit from the "Opium Monopoly," so the government desired that the Opium Monopoly be regarded as just one of the unimportant sources of Government revenue. In reality, however, Opium Monopoly is indeed the main source of the income of the Manchukuo Government. . . .

3. Lease Department of Manchukuo Opium Monopoly Administration is issuing the following licenses:

a. For planting opium, on the condition that when collected the raw opium must be handed over to the district office of Manchukuo Opium Monopoly Administration, where the license is paid at the price which each season is fixed by its head office.

b. For selling opium (wholesale and retail) providing that this opium is bought in the godowns of Manchukuo Opium Monopoly Administration.

c. For the sale of opium abroad. This sub-department is manned only by Japanese subjects and all its operations are done in great secrecy, although it is known that this sub-department is bringing considerable income to the Government. According to one of my Japanese friends, the person who wishes to buy opium, or high-grade narcotic products, such as heroin, morphine and cocaine (these products are not manufactured by Manchukuo Opium Monopoly Administration but there is considerable stock of these narcotics in the godowns of the Bureau of Confiscation), must apply for a special permit to take the cargo abroad, showing the purpose, means of transportation and other details. Then the buyer is to buy the cargo directly from the offices of the Manchukuo Bureau of Confiscation and takes his cargo to the border of Manchukuo accompanied by a special agent, whose duty it is to see that the cargo safely passes the border. It is said that the agents of Manchukuo Opium Monopoly Administration are selling opium and narcotics for export only to Japanese nationals, although the latter might be the agents of some foreign buyers. . . .